

**CITY OF COOPERSVILLE
OTTAWA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008**

**KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan**

City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2008

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	I
Management's Discussion and Analysis	II
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Governmental Fund Financial Statements	
Balance Sheet	3
Statement of Revenue, Expenditures and Changes in Fund Balances.....	4
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	5
Proprietary Fund Financial Statements	
Statement of Net Assets	6
Statement of Revenue, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	9
Notes to Financial Statements	10

City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2008

TABLE OF CONTENTS - Concluded

	Page
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	23
Budgetary Comparison Schedule – Major Street Fund	24
Budgetary Comparison Schedule – Local Street Fund.....	25
Note to Required Supplementary Information	26
Supplemental Data	
Combining Balance Sheet – Nonmajor Governmental Funds	27
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	28
Discretely Presented Component Unit – Downtown Development Authority	
Combining Balance Sheet.....	29
Combining Statement of Revenue, Expenditures and Changes in Fund Balance.....	30



INDEPENDENT AUDITOR'S REPORT

October 3, 2008

Honorable City Council
City of Coopersville
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coopersville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coopersville, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of the City of Coopersville Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow this section.

Financial Highlights

- The assets of the City of Coopersville exceeded its liabilities at the close of the most recent fiscal year by \$7,342,202 (*net assets*). Of this amount, \$2,619,599 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$37,739. Net investment in capital assets decreased by \$53,552, while restricted net assets decreased by \$1,587, and unrestricted net assets increased by \$92,878.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,938,734, an increase of \$48,944 in comparison with the prior year. Approximately 92% of this total amount, \$1,785,266 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,333,910 or 64.1% of total general fund expenditures and transfers out.
- The City's total debt decreased by \$343,301 (8.4%) during the current fiscal year. This is the result of the City making its required scheduled debt service payments while incurring no new debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Coopersville is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water supply and sewage disposal operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also its component unit. The Coopersville Downtown Development Authority, an entity legally separate from the City, is governed by a twelve-member board appointed by the City Council. The Authority is fiscally dependent on the City because tax rates for the Downtown Development Authority district and bonded debt must be approved by the City Council.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Street, Local Street, and 2006 Capital Improvement Construction Funds. Each of these funds is considered to be a major fund. The City of Coopersville has ten (10) nonmajor funds. These include special revenue funds, debt service funds, capital project funds and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other ten governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water supply and sewage disposal operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the rental of machinery, equipment, and vehicles to other departments, and related costs. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Supply System and Sewage Disposal System Funds, both of which are considered to be major funds of the City. The proprietary fund financial statements also provide separate information for the internal service fund.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for one type of fiduciary funds – agency funds.

The City maintains two agency funds to account for tax collections and the Meadow Green Escrow account.

The basic fiduciary fund financial statements can be found on page 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting budgetary comparison schedules for the City's General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 23-26 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements for the discretely presented component unit are also presented immediately following the required supplementary information. Combining statements can be found on pages 27-30 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coopersville, assets exceeded liabilities by \$7,342,202 at the close of the most recent fiscal year.

The largest portion of the City's net assets (62.5%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,619,599) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of the City of Coopersville as of June 30, 2008 and 2007.

City of Coopersville's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 2,194,718	\$ 2,238,561	\$ 777,292	\$ 883,503	\$ 2,972,010	\$ 3,122,064
Capital assets	2,850,482	2,946,010	5,713,476	5,882,037	8,563,958	8,828,047
Total assets	<u>5,045,200</u>	<u>5,184,571</u>	<u>6,490,768</u>	<u>6,765,540</u>	<u>11,535,968</u>	<u>11,950,111</u>
Long-term debt outstanding	2,406,613	2,629,914	1,670,000	1,790,000	4,076,613	4,419,914
Other liabilities	58,711	162,907	58,442	62,827	117,153	225,734
Total liabilities	<u>2,465,324</u>	<u>2,792,821</u>	<u>1,728,442</u>	<u>1,852,827</u>	<u>4,193,766</u>	<u>4,645,648</u>
Net assets:						
Invested in capital assets, net of related debt	544,864	549,855	4,043,476	4,092,037	4,588,340	4,641,892
Restricted	52,473	54,060	81,790	81,790	134,263	135,850
Unrestricted	<u>1,982,539</u>	<u>1,787,835</u>	<u>637,060</u>	<u>738,886</u>	<u>2,619,599</u>	<u>2,526,721</u>
	<u>\$ 2,579,876</u>	<u>\$ 2,391,750</u>	<u>\$ 4,762,326</u>	<u>\$ 4,912,713</u>	<u>\$ 7,342,202</u>	<u>\$ 7,304,463</u>

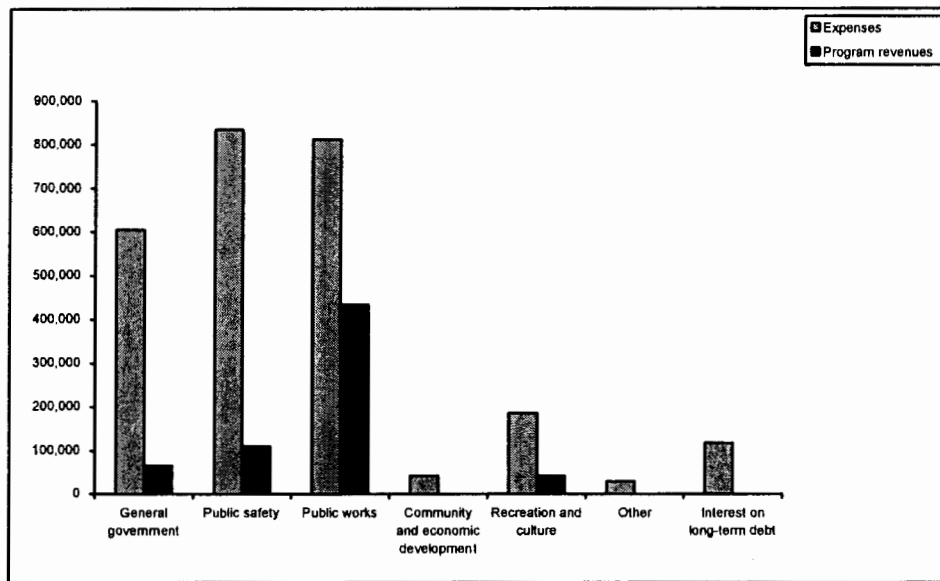
Change in Net Assets - The City of Coopersville's net assets increased by \$37,739 during the current fiscal year. This increase is caused by a \$188,126 increase in net assets of governmental activities and a \$150,387 decrease in net assets of business-type activities.

City of Coopersville's Changes in Net Assets

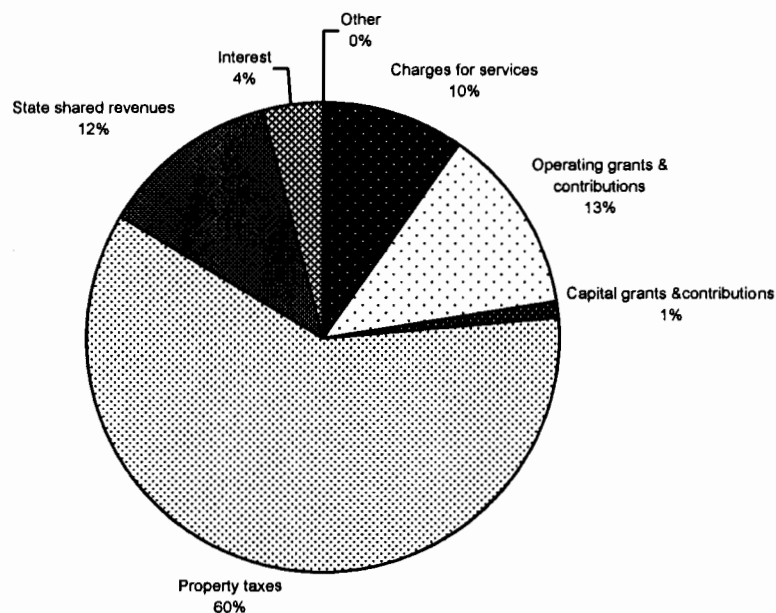
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 267,623	\$ 254,989	\$ 845,531	\$ 1,088,619	\$ 1,113,154	\$ 1,343,608
Operating grants and contributions	349,064	352,538	-	-	349,064	352,538
Capital grants and contributions	35,321	186,711	129,585	1,026,358	164,906	1,213,069
General revenues						
Property taxes	1,650,417	1,631,658	62,182	58,910	1,712,599	1,690,568
State shared revenues	340,849	340,436	-	-	340,849	340,436
Interest	112,227	176,755	28,137	32,700	140,364	209,455
Other	1,683	768	18,359	6,789	20,042	7,557
Total revenues	2,757,184	2,943,855	1,083,794	2,213,376	3,840,978	5,157,231
Program expenses						
General government	605,676	639,958	-	-	605,676	639,958
Public safety	834,257	814,606	-	-	834,257	814,606
Public works	812,492	1,604,131	-	-	812,492	1,604,131
Community and economic development	42,272	47,782	-	-	42,272	47,782
Recreation and culture	186,341	202,038	-	-	186,341	202,038
Other	28,897	34,915	-	-	28,897	34,915
Interest on long-term debt	117,059	128,175	-	-	117,059	128,175
Water supply	-	-	656,908	651,930	656,908	651,930
Sewage disposal	-	-	519,337	527,905	519,337	527,905
Total expenses	2,626,994	3,471,605	1,176,245	1,179,835	3,803,239	4,651,440
Change before transfers	130,190	(527,750)	(92,451)	1,033,541	37,739	505,791
Transfers in (out)	57,936	60,000	(57,936)	(60,000)	-	-
Change in Net Assets	\$ 188,126	\$ (467,750)	\$ (150,387)	\$ 973,541	\$ 37,739	\$ 505,791

Governmental activities. Governmental activities increased the City's net assets by \$188,126 accounting for 499.5% of the total growth in the net assets of the City. Total revenues decreased by \$186,671 compared to the prior year, mostly due to a decrease in capital grants received and decreased interest earnings. Total expenses decreased by \$844,611 compared to the prior year, mostly due to a decrease in construction costs for water and sewer systems paid from the 2006 Capital Improvements Fund.

Expenses and Program Revenues – Governmental Activities

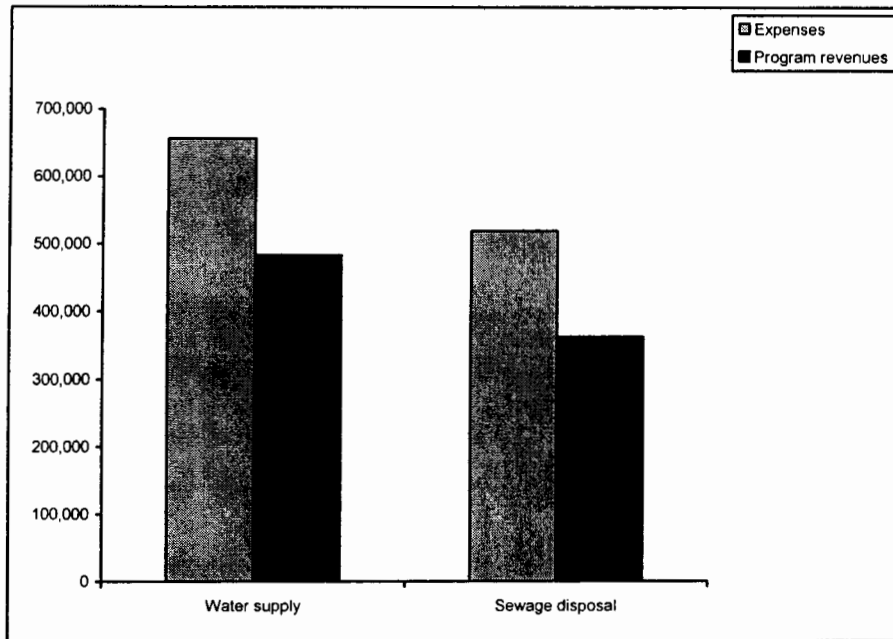


Revenues by Source – Governmental Activities

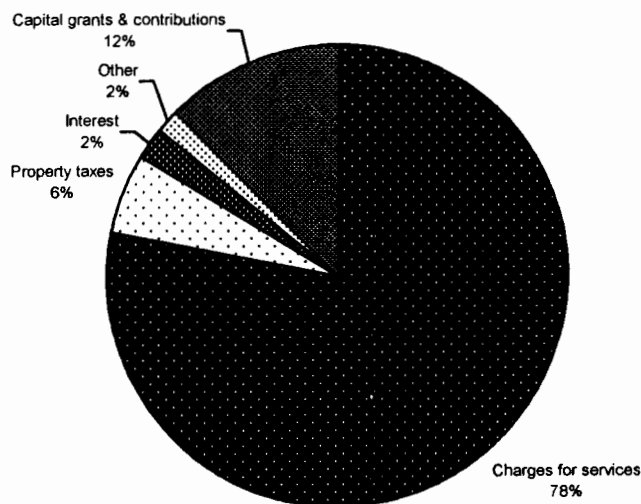


Business-type activities. Business-type activities decreased the City of Coopersville's net assets by \$150,387 (-398.5%). Operating revenues decreased by \$243,008 due mostly to a decrease in water and sewage disposal sales. Operating expenses decreased by \$3,590 from the prior year, mainly due to decreases in sewer operating costs.

Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,938,734, an increase of \$48,944 from the prior year. Approximately 92% of this fund balance amount (\$1,785,266) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for required debt service (\$45,481), the maintenance of the City of Coopersville's cemetery (\$6,992 non-expendable), and for capital improvement projects (\$100,995).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the fund balance of the General Fund was \$1,333,910, which is all unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$1,333,910) represents 64% of total General Fund expenditures and transfers out (\$2,080,319).

The fund balance of the City's General Fund increased by \$251,864 during the current fiscal year. Total revenue sources decreased by \$9,760 or .4%. Property taxes increased by \$18,759 or 1.2%. State shared revenues decreased by \$5,609 or 1.6%. Transfers in from other funds increased by \$16,362 or 69%. General Fund expenditures decreased by \$91,154 or 5.3%, while transfers out to other funds increased by \$19,966 or 4.7%.

The Major Street Fund has a total fund balance of \$99,715, a decrease of \$91,821 during the year. Total revenues decreased by \$82,528 due mainly to a decrease in reimbursement received in fiscal year 2006-07 totaling \$111,968 related to the Cleveland and East Street culvert project completed in fiscal year 2005-06. Transfers from other funds decreased by \$35,547 compared to the prior year. Major Street Fund expenditures increased by \$153,087 compared to the prior year, mainly due to the increase in construction costs for the project at Randall and 68th Street.

The Local Street Fund has a fund balance of \$133,010, an increase of \$40,833 during the year. Total revenue increased by \$9,245, and transfers in increased by \$9,202 from the prior year. Expenditures decreased by \$7,478 from the prior year.

The 2006 Capital Improvement Construction Fund has a fund balance of \$100,995, a decrease of \$132,764 compared to the prior year. Expenditures decreased by \$1,774,424 to \$140,406 as the City continues to expend the remaining bond and loan proceeds received in fiscal year 2005-06.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Water Supply System and Sewage Disposal System Funds at the end of the year amounted to \$319,188 and \$241,758, respectively. Changes in the Water Supply System and Sewage Disposal System Funds' net assets during the current year were an increase of \$8,332 and a decrease of \$181,338, respectively. Factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. However, none of these amendments were of a significant nature. City operational departments stayed below budget overall, resulting in total expenditures \$253,307 below the final budget.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$8,563,958 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total decrease in the City's investment in capital assets for the current fiscal year was \$95,528 (3.2%) for governmental activities. The City's investment in capital assets for the current fiscal year decreased by \$168,561 (2.9%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$113,889 expended for street improvements
- \$129,585 expended for water tower painting and repair

Additional information on the City's capital assets can be found in note 3C on pages 17-18 of this report.

City of Coopersville's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 130,051	\$ 130,051	\$ 47,250	\$ 47,250	\$ 177,301	\$ 177,301
Construction in progress	-	-	-	-	-	-
Land improvements	46,200	122,773	-	-	46,200	122,773
Buildings and improvements	897,865	941,252	22,320	24,394	920,185	965,646
Systems	-	-	5,643,858	5,810,297	5,643,858	5,810,297
Machinery, equipment, vehicles	105,332	109,143	48	96	105,380	109,239
Infrastructure	1,671,034	1,642,791	-	-	1,671,034	1,642,791
Total	<u>\$ 2,850,482</u>	<u>\$ 2,946,010</u>	<u>\$ 5,713,476</u>	<u>\$ 5,882,037</u>	<u>\$ 8,563,958</u>	<u>\$ 8,828,047</u>

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$4,076,613. Of this amount, \$2,406,613 is general obligation debt and \$1,670,000 is paid from specified revenue sources.

General Obligation and Revenue Bonds and Notes Payable

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 1,750,000	\$ 1,890,000	\$ -	\$ -	\$ 1,750,000	\$ 1,890,000
County revolving fund loan	411,613	456,468	-	-	411,613	456,468
Michigan transportation bonds	245,000	280,000	-	-	245,000	280,000
Revenue bonds	-	-	570,000	615,000	570,000	615,000
County contractual obligation	-	-	645,000	685,000	645,000	685,000
Michigan Municipal Bond Authority bonds	-	-	455,000	490,000	455,000	490,000
Notes payable	-	3,446	-	-	-	3,446
Total	<u>\$ 2,406,613</u>	<u>\$ 2,629,914</u>	<u>\$ 1,670,000</u>	<u>\$ 1,790,000</u>	<u>\$ 4,076,613</u>	<u>\$ 4,419,914</u>

Total outstanding debt decreased by \$343,301 during the current year. This was a result of the City making its required scheduled debt payments of \$343,301 while incurring no new debt.

Additional information on the City's long-term debt can be found in Note 3E on pages 19-20 of this report.

Economic Factors and Next Year's Budgets and Rates

The State of Michigan's economy continues to dominate the financial picture for most cities including the City of Coopersville. Revenue sharing, potential property tax reform, and the continued downsizing of the Michigan automotive industry will provide some degree of uncertainty in projecting revenues. The City of course is not immune from these economic forces but fortunately we continue to see increases in various fund balances including the general fund due to a planned conservative approach grounded in the closure of the Delphi plant.

The City of Coopersville fortunately has been able to experience positive news in manufacturing and to a lesser extent the tool and die business. Saturn Electronics made a corporate decision to invest in the Coopersville facility instead of moving off-shore to China. The City Council approved a Tool & Die Renaissance Recovery Zone coalition a few years ago and presently a new member has moved into the City and become a part of that coalition. The Delphi property is receiving serious attention from prospective buyers and recent activity strongly suggests that new ownership will be forthcoming.

The City continues to invest in its infrastructure with a road maintenance program that was initiated over a year ago and continues today. The city has and continues to resurface miles of major and local roads with "slurry" that will result in prolonging the life of our road infrastructure thereby saving the city, and the taxpayers, the need for immediate and major expenditures in transportation costs. Recent road improvements and the construction of a roundabout at 68th Avenue and Randall Street continue to increase traffic flow and safety as their original designs intended. The City is investing in new software and procedures that will assist in the evaluation, budgeting, and scheduling of the maintenance and replacement of infrastructure such as roads, sidewalks, bridges, and the like.

In addition, a program started a couple of years ago to replace old water meters with new more accurate ones continues. The result of this investment is a more accurate reading of water usage, and

correspondingly, more accurate revenue projection and collection. These new meters also have reduced the labor cost of “reading meters.” They do not require a city employee to walk up to the meter at each home but, rather the worker may drive by with a laptop that receives a “radio read” of the water meter.

The City Council approved a significant increase in its water and sewer rates to more accurately reflect the costs associated with providing those services. This was a difficult policy decision to make but was warranted as the old rates did not offset current costs and would ultimately jeopardize fund balances and the ability to upgrade the systems in the future.

The City’s budget for 2008–2009 calls for a slight increase in the overall property tax rate from 14.1947 to 14.3496. In the past, rates often declined because it was directly related to the decrease in required payments for water supply and sewer disposal debt service. But this year saw a slight increase for water and sewer bond principal payments. In addition, the slight increase this year is still due to the closing of the Delphi plant which resulted in a decrease of total taxes thereby changing the percentage of taxes to bond payments. Because of Proposal A, the city still needs to continue to watch its budget closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than inflation, before considering new property additions.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 289 Danforth, Coopersville, MI 49404.

Basic Financial Statements

City of Coopersville
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Cash and investments	\$ 2,133,895	\$ 452,621	\$ 2,586,516	\$ 203,858
Receivables:				
Accounts	11,450	158,831	170,281	-
Special assessments	29,526	7,936	37,462	-
Due from other governments	81,802	-	81,802	-
Internal balances	(76,114)	76,114	-	-
Prepaid items	14,159	-	14,159	-
Restricted cash-revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	<u>2,850,482</u>	<u>5,713,476</u>	<u>8,563,958</u>	<u>-</u>
 Total Assets	 <u>5,045,200</u>	 <u>6,490,768</u>	 <u>11,535,968</u>	 <u>203,858</u>
LIABILITIES				
Accounts payable	45,355	29,013	74,368	5,555
Accrued liabilities	31,403	21,493	52,896	6,686
Due to other governments	36,173	-	36,173	-
Deferred revenue	-	7,936	7,936	-
Noncurrent liabilities:				
Due within one year	231,220	135,000	366,220	155,000
Due in more than one year	2,175,393	1,535,000	3,710,393	610,000
Deferred bond issuance costs	<u>(54,220)</u>	<u>-</u>	<u>(54,220)</u>	<u>-</u>
 Total Liabilities	 <u>2,465,324</u>	 <u>1,728,442</u>	 <u>4,193,766</u>	 <u>777,241</u>
NET ASSETS				
Invested in capital assets, net of related debt	544,864	4,043,476	4,588,340	(765,000)
Restricted for:				
Debt service	45,481	81,790	127,271	-
Perpetual care-nonexpendable	6,992	-	6,992	-
Unrestricted	<u>1,982,539</u>	<u>637,060</u>	<u>2,619,599</u>	<u>191,617</u>
 Total Net Assets (Deficit)	 <u>\$ 2,579,876</u>	 <u>\$ 4,762,326</u>	 <u>\$ 7,342,202</u>	 <u>\$ (573,383)</u>

City of Coopersville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Function/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Component Unit
Primary Government:							
Governmental Activities:							
General government	\$ 605,676	\$ 65,804	\$ -	\$ -	\$ (539,872)	\$ -	\$ -
Public safety	834,257	41,460	68,697	-	(724,100)	-	-
Public works	812,492	118,140	280,367	35,321	(378,664)	-	-
Community and economic development	42,272	-	-	-	(42,272)	-	-
Recreation and culture	186,341	42,219	-	-	(144,122)	-	-
Other	28,897	-	-	-	(28,897)	-	-
Interest on long-term debt	117,059	-	-	-	(117,059)	-	-
Total Governmental Activities	<u>2,626,994</u>	<u>267,623</u>	<u>349,064</u>	<u>35,321</u>	<u>(1,974,986)</u>	<u>-</u>	<u>-</u>
Business-type activities:							
Water supply	656,908	482,951	-	129,585	-	(44,372)	-
Sewage disposal	519,337	362,580	-	-	-	(156,757)	-
Total Business-type Activities	<u>1,176,245</u>	<u>845,531</u>	<u>-</u>	<u>129,585</u>	<u>-</u>	<u>(201,129)</u>	<u>-</u>
Total Primary Government	<u>\$ 3,803,239</u>	<u>\$ 1,113,154</u>	<u>\$ 349,064</u>	<u>\$ 164,906</u>	<u>(1,974,986)</u>	<u>(201,129)</u>	<u>-</u>
Component Unit:							
Downtown Development Authority	\$ 216,689	\$ 11,428	\$ -	\$ -	-	-	(205,261)
General revenues:							
Property taxes					1,650,417	62,182	350,000
State shared revenues					340,849	-	-
Interest					112,227	28,137	15,575
Other					1,683	18,359	1,500
Transfers					57,936	(57,936)	-
Total General Revenues					<u>2,163,112</u>	<u>50,742</u>	<u>367,075</u>
Change in Net Assets					188,126	(150,387)	161,814
Net Assets (Deficit) - Beginning					2,391,750	4,912,713	(735,197)
Net Assets (Deficit) - Ending					<u>\$ 2,579,876</u>	<u>\$ 4,762,326</u>	<u>\$ (573,383)</u>

City of Coopersville
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Major Street	Local Street	2006 Capital Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,392,046	\$ 89,735	\$ 124,876	\$ 100,995	\$ 275,265	\$ 1,982,917
Receivables:						
Accounts	11,450	-	-	-	-	11,450
Special assessments	-	-	-	-	29,526	29,526
Due from other governments	-	11,629	9,430	-	-	21,059
Prepaid expenses	13,159	-	-	-	-	13,159
Total Assets	\$ 1,416,655	\$ 101,364	\$ 134,306	\$ 100,995	\$ 304,791	\$ 2,058,111
LIABILITIES						
Accounts payable	\$ 39,186	\$ 308	\$ 264	\$ -	\$ 4,161	\$ 43,919
Accrued payroll	7,386	1,341	1,032	-	-	9,759
Due to other governments	36,173	-	-	-	-	36,173
Deferred revenue	-	-	-	-	29,526	29,526
Total Liabilities	82,745	1,649	1,296	-	33,687	119,377
FUND BALANCES						
Reserved:						
Debt service	-	-	-	-	45,481	45,481
Perpetual care-nonexpendable	-	-	-	-	6,992	6,992
Capital projects	-	-	-	100,995	-	100,995
Unreserved-reported in:						
General Fund	1,333,910	-	-	-	-	1,333,910
Special Revenue Funds	-	99,715	133,010	-	167,205	399,930
Capital Projects Funds	-	-	-	-	51,426	51,426
Total Fund Balances	1,333,910	99,715	133,010	100,995	271,104	1,938,734
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,416,655	\$ 101,364	\$ 134,306	\$ 100,995	\$ 304,791	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,805,194
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures	60,743
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	29,526
Bond issuance costs, amortized over the life of the bonds, are not reported in the funds	54,220
Interest accrued on outstanding notes payable is not reported in the funds	(21,228)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(2,406,613)
Internal Service Funds are included as part of governmental activities	119,300
Net Assets of Governmental Activities	\$ 2,579,876

City of Coopersville
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Major Street	Local Street	2006 Capital Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 1,650,417	\$ -	\$ -	\$ -	\$ -	\$ 1,650,417
Licenses and permits	13,785	-	-	-	-	13,785
Federal grants	-	27,526	-	-	-	27,526
State shared revenues	340,728	195,264	85,103	-	-	621,095
Local unit contributions	-	-	-	-	64,000	64,000
Charges for services	173,322	-	-	-	20,850	194,172
Fines and forfeits	9,985	-	-	-	-	9,985
Interest and rent	74,707	6,275	3,621	7,642	14,402	106,647
Other	29,239	-	-	-	35,901	65,140
Total Revenues	<u>2,292,183</u>	<u>229,065</u>	<u>88,724</u>	<u>7,642</u>	<u>135,153</u>	<u>2,752,767</u>
Expenditures:						
Current:						
General government	466,420	-	-	1,000	55,544	522,964
Public safety	729,709	-	-	-	98,477	828,186
Public works	163,025	334,292	195,485	139,406	-	832,208
Community and economic development	42,272	-	-	-	-	42,272
Recreation and culture	204,007	-	-	-	-	204,007
Other	28,897	-	-	-	-	28,897
Debt service:						
Principal retirement	-	-	-	-	219,855	219,855
Interest and fiscal charges	-	-	-	-	113,370	113,370
Total Expenditures	<u>1,634,330</u>	<u>334,292</u>	<u>195,485</u>	<u>140,406</u>	<u>487,246</u>	<u>2,791,759</u>
Excess of Revenues Over (Under) Expenditures	<u>657,853</u>	<u>(105,227)</u>	<u>(106,761)</u>	<u>(132,764)</u>	<u>(352,093)</u>	<u>(38,992)</u>
Other Financing Sources (Uses):						
Transfers in	40,000	109,453	147,594	-	342,925	639,972
Transfers out	(445,989)	(96,047)	-	-	(10,000)	(552,036)
Total Other Financing Sources (Uses)	<u>(405,989)</u>	<u>13,406</u>	<u>147,594</u>	<u>-</u>	<u>332,925</u>	<u>87,936</u>
Net Change in Fund Balances	251,864	(91,821)	40,833	(132,764)	(19,168)	48,944
Fund Balances - July 1	<u>1,082,046</u>	<u>191,536</u>	<u>92,177</u>	<u>233,759</u>	<u>290,272</u>	<u>1,889,790</u>
Fund Balances - June 30	<u>\$ 1,333,910</u>	<u>\$ 99,715</u>	<u>\$ 133,010</u>	<u>\$ 100,995</u>	<u>\$ 271,104</u>	<u>\$ 1,938,734</u>

City of Coopersville
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances-Total Governmental Funds	\$ 48,944
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	13,929
Current year capital outlays capitalized - infrastructure capital assets	113,889
Current year depreciation expense on capitalized assets	(232,512)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until collected or collectible within 60 days of year end

State shared revenues	121
Special assessment revenues	(1,284)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Amortization of deferred bond refunding loss/issuance costs/premiums	(5,106)
Principal payments on long-term debt	219,855

In the statement of activities, interest is accrued on outstanding notes payable, whereas in governmental funds, an interest expenditure is reported when due

1,432

An internal service fund is used by management to charge the costs of certain activities, such as equipment rental, to individual funds. A portion of the net revenue (expenses) of the internal service fund is reported with governmental activities

28,858

Change in net assets of governmental activities	\$ <u>188,126</u>
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City of Coopersville
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 256,360	\$ 196,261	\$ 452,621	\$ 150,978
Receivables:				
Accounts	91,889	66,942	158,831	-
Special assessments	2,816	5,120	7,936	-
Prepaid items	-	-	-	1,000
Total Current Assets	351,065	268,323	619,388	151,978
Noncurrent Assets:				
Revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	2,241,445	3,472,031	5,713,476	45,288
Total Noncurrent Assets	2,241,445	3,553,821	5,795,266	45,288
Total Assets	<u>\$ 2,592,510</u>	<u>\$ 3,822,144</u>	<u>\$ 6,414,654</u>	<u>\$ 197,266</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 19,099	\$ 9,914	\$ 29,013	\$ 1,436
Customer deposits	1,949	2,100	4,049	-
Accrued liabilities	5,531	6,813	12,344	-
Accrued wages	2,482	2,618	5,100	416
Current portion of long-term debt	85,000	50,000	135,000	-
Total Current Liabilities	114,061	71,445	185,506	1,852
Noncurrent Liabilities:				
Deferred revenue	2,816	5,120	7,936	-
Long-term debt	1,015,000	520,000	1,535,000	-
Total Noncurrent Liabilities	1,017,816	525,120	1,542,936	-
Total Liabilities	<u>1,131,877</u>	<u>596,565</u>	<u>1,728,442</u>	<u>1,852</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,141,445	2,902,031	4,043,476	45,288
Restricted for debt service	-	81,790	81,790	-
Unrestricted	319,188	241,758	560,946	150,126
Total Net Assets	<u>\$ 1,460,633</u>	<u>\$ 3,225,579</u>	<u>4,686,212</u>	<u>\$ 195,414</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			76,114	
Net assets of business-type activities			<u>\$ 4,762,326</u>	

City of Coopersville
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Operating Revenues:				
Water sales	\$ 463,696	\$ -	\$ 463,696	\$ -
Sewage disposal service	-	356,773	356,773	-
Charges for services	-	-	-	211,397
Fees	14,520	1,089	15,609	-
Total Operating Revenues	<u>478,216</u>	<u>357,862</u>	<u>836,078</u>	<u>211,397</u>
Operating Expenses:				
Cost of water	252,398	-	252,398	-
Operations and maintenance	241,874	326,993	568,867	117,221
Depreciation	129,564	172,782	302,346	18,264
Total Operating Expenses	<u>623,836</u>	<u>499,775</u>	<u>1,123,611</u>	<u>135,485</u>
Operating Income (Loss)	<u>(145,620)</u>	<u>(141,913)</u>	<u>(287,533)</u>	<u>75,912</u>
Nonoperating Revenues (Expenses):				
Hook-ups	4,735	4,718	9,453	-
Property taxes	62,182	-	62,182	-
Special assessments	941	1,718	2,659	-
Interest income	14,895	13,242	28,137	5,580
Other	15,700	-	15,700	-
Interest and fiscal charges	(45,118)	(30,135)	(75,253)	(15)
Total Nonoperating Revenues (Expenses)	<u>53,335</u>	<u>(10,457)</u>	<u>42,878</u>	<u>5,565</u>
Income (Loss) Before Contributions and Transfers	(92,285)	(152,370)	(244,655)	81,477
Capital contributions	129,585	-	129,585	-
Transfers out	<u>(28,968)</u>	<u>(28,968)</u>	<u>(57,936)</u>	<u>(30,000)</u>
Change in Net Assets	8,332	(181,338)	(173,006)	51,477
Net Assets - July 1	<u>1,452,301</u>	<u>3,406,917</u>		<u>143,937</u>
Net Assets - June 30	<u>\$ 1,460,633</u>	<u>\$ 3,225,579</u>		<u>\$ 195,414</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			<u>22,619</u>	
Change in net assets of business-type activities			<u>\$ (150,387)</u>	

See Notes to Financial Statements

City of Coopersville
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 496,221	\$ 372,535	\$ 868,756	\$ -
Receipts from interfund services provided	-	-	-	211,397
Payments to suppliers	(356,174)	(181,966)	(538,140)	(84,614)
Payments to employees	(113,709)	(111,645)	(225,354)	(33,034)
Payments for interfund services used	(31,686)	(27,811)	(59,497)	-
Receipts from other sources	21,376	6,436	27,812	-
Net Cash Provided By Operating Activities	16,028	57,549	73,577	93,749
Cash Flows From Noncapital Financing Activities:				
Transfers from (to) other funds	(28,968)	(28,968)	(57,936)	(30,000)
Cash Flows From Capital and Related Financing Activities:				
Construction and purchase of capital assets	-	(4,200)	(4,200)	(27,430)
Principal paid on capital debt	(75,000)	(45,000)	(120,000)	(3,446)
Interest paid on capital debt	(45,118)	(30,135)	(75,253)	(15)
Property taxes	62,182	-	62,182	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(57,936)	(79,335)	(137,271)	(30,891)
Cash Flows From Investing Activities:				
Interest received on investments	14,895	13,242	28,137	5,580
Net Increase in Cash and Investments	(55,981)	(37,512)	(93,493)	38,438
Cash and Investments - July 1	312,341	315,563	627,904	112,540
Cash and Investments - June 30	\$ 256,360	\$ 278,051	\$ 534,411	\$ 150,978
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating income (loss)	\$ (145,620)	\$ (141,913)	\$ (287,533)	\$ 75,912
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	129,564	172,782	302,346	18,264
Other non-operating income	21,376	6,436	27,812	-
Change in assets and liabilities:				
Receivables	18,946	16,391	35,337	-
Accounts payable	(5,287)	3,254	(2,033)	(444)
Accrued and other liabilities	(2,010)	2,317	307	17
Deferred revenue	(941)	(1,718)	(2,659)	-
Net Cash Provided By Operating Activities	\$ 16,028	\$ 57,549	\$ 73,577	\$ 93,749
Cash and investments:				
Cash and investments	\$ 256,360	\$ 196,261	\$ 452,621	\$ 150,978
Revenue bond covenant accounts	-	81,790	81,790	-
	\$ 256,360	\$ 278,051	\$ 534,411	\$ 150,978
Noncash capital financing activities:				
Contribution of capital assets from other funds	\$ 129,585	\$ -	\$ 129,585	\$ -

See Notes to Financial Statements

City of Coopersville
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 20,738</u>
LIABILITIES	
Due to other units	<u>\$ 20,738</u>

City of Coopersville, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Coopersville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Coopersville:

A. Reporting Entity

The City of Coopersville is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The city has no blended component units.

Discretely Presented Component Unit. The Coopersville Downtown Development Authority (DDA) was created to finance improvements within the authority's district of the City. The Authority's twelve member governing board is appointed by the City Council. In addition, the Authority's budget, tax rates and bonded debt are subject to approval by the City Council. The DDA has issued debt, currently receives captured tax increment revenues, and makes debt services payments on \$765,000 of outstanding bonds.

Separate financial statements for the Downtown Development Authority are not prepared. The Authority's financial activity is as reflected in these accompanying financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes (state shared revenues) collected and held by the State at year end on behalf of the city and paid to the city at the end of the following August are recognized as revenue in the year received. Such amounts are not normally received within 60 days of the end of the current fiscal year and are budgeted for use by the city in the year received. Other revenue is recorded when received.

The city reports the following major governmental funds:

General Fund - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Street Funds - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

2006 Capital Improvement Construction Fund - This fund is used to account for street repairs, installation of new water and sewer lines, and the removal of sludge from the wastewater treatment plant. These projects are financed by the proceeds from a \$1,715,000 general obligation bond issue and a \$500,000 Ottawa County Revolving Loan Fund loan.

The city reports the following major proprietary funds:

Water Supply System Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Grand Rapids for storage and distribution to Coopersville's customers.

Sewage Disposal System Fund - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the city reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds - Capital Project Funds are used for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Fund - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Proprietary Funds

Internal Service Fund - The Internal Service Fund accounts for the rental of machinery, equipment, and vehicles to other departments, and related costs.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewage disposal systems fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments.

The City maintains separate cash accounts for each of its various funds as well maintaining a pooled cash account to facilitate the management of cash.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments are recorded at fair value.

2. Receivables and Payables.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

3. Inventories and Prepaid Items.

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are not material and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets.*

Certain cash and receivables of the enterprise funds are classified as restricted assets on the balance sheet because their use is limited for purposes of servicing outstanding enterprise fund general obligation bonded debt.

5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

6. *Compensated Absences.*

City employees are entitled to certain compensated absences based on their length of employment. City employees earn vacation in varying amounts based on length of service. Unused vacation time does not accumulate past June 30 of each fiscal year.

Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave accumulates from year to year to a maximum of 120 days of sick leave. Twenty-five percent of unused sick leave is paid to employees at the time termination or retirement. It is the City's policy to recognize the cost of sick leave at the time payments are made and if material, record a liability for employee terminations at year-end.

7. *Long-Term Obligations.*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. *Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the date the bills are due. After that period of time, three percent penalty and interest at one percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The City's 2007 ad valorem tax is levied and collectible on July 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2007 taxable valuation of the city totaled \$121,581,890 excluding abated valuations, on which ad valorem taxes levied consisted of 13.0000 mills for operating purposes, .7285 mills for sewer debt purposes, and .4662 mills for water debt purposes. This resulted in \$1,330,492 (after adjustment for amounts captured by the DDA) for operating purposes, \$89,408 for sewer debt purposes, and \$57,213 for water debt purposes.

In addition the city's 2007 taxable valuation for abated property totaled \$20,362,667 on which taxes levied consisted of 6.5000 mills for operating purposes, .36425 mills for sewer debt purposes, and .2331 mills for water debt purposes. This resulted in \$132,357 (after adjustment for amounts captured by the DDA) for operating purposes, \$7,778 for sewer debt purposes, and \$4,977 for water debt purposes.

The above amounts are recognized in the General and Water Supply System Funds as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2008:

Surplus (deficit) - July 1, 2007		\$	(2,246)
Charges for services	\$ 13,785		
Building inspection expenditures	<u>(15,058)</u>		<u>(1,273)</u>
Surplus (deficit) - June 30, 2008		\$	<u>(3,519)</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's deposits and investments are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and investments	\$ 2,133,895	\$ 452,621	\$ 20,738	\$ 2,607,254	\$ 203,858
Revenue bond covenant accounts	-	81,790	-	81,790	-
Total	<u>\$ 2,133,895</u>	<u>\$ 534,411</u>	<u>\$ 20,738</u>	<u>\$ 2,689,044</u>	<u>\$ 203,858</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,904,580	\$ 166,999
Money Market Funds	96,736	36,859
Investments in Investment Pools	<u>687,728</u>	<u>-</u>
Total	<u>\$ 2,689,044</u>	<u>\$ 203,858</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be returned. The city does not have a deposit policy for custodial credit risk. At year end the bank balance of the city's (including its Component Unit) deposits was \$2,427,897 of which \$1,206,849 was covered by federal depository insurance and \$1,221,048 was exposed to custodial credit risk because it was uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the city evaluates each financial institution with which it deposits city funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments the city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The city has no investment policy that limits its investment choices beyond those required by state law. At year end the city had \$784,464 in permissible money market funds and investment pools that are not separately rated. At year end, the Component Unit had \$36,859 in permissible money market funds and investment pools that are not separately rated.

B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water Supply System</u>	<u>Sewage Disposal System</u>	<u>Non-major Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 11,450	\$ -	\$ -	\$ 91,889	\$ 66,942	\$ -	\$ 170,281
Special assessments	-	-	-	2,816	5,120	29,526	37,462
Intergovernmental	-	11,629	9,430	-	-	-	21,059
Gross receivables	11,450	11,629	9,430	94,705	72,062	29,526	228,802
Allowance for uncollectibles	-	-	-	-	-	-	-
Net Total Receivables	<u>\$ 11,450</u>	<u>\$ 11,629</u>	<u>\$ 9,430</u>	<u>\$ 94,705</u>	<u>\$ 72,062</u>	<u>\$ 29,526</u>	<u>\$ 228,802</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 29,526</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 130,051	\$ -	\$ -	\$ -	\$ 130,051
Construction in progress	-	-	-	-	-
Subtotal	130,051	-	-	-	130,051
Capital Assets Being Depreciated					
Building and improvements	1,369,495	-	-	-	1,369,495
Land improvements	1,241,106	5,000	-	-	1,246,106
Machinery and equipment	308,113	-	-	-	308,113
Office furniture and equipment	273,781	8,929	-	-	282,710
Vehicles	110,266	-	-	-	110,266
Equipment-Equipment Fund	410,732	-	-	-	410,732
Vehicles-Equipment Fund	330,589	27,430	-	-	358,019
Infrastructure	1,692,401	113,889	-	-	1,806,290
Subtotal	5,736,483	155,248	-	-	5,891,731
Less Accumulated Depreciation for					
Buildings and improvements	(428,243)	(43,387)	-	-	(471,630)
Land improvements	(1,118,333)	(81,573)	-	-	(1,199,906)
Machinery and equipment	(260,498)	(10,304)	-	-	(270,802)
Office furniture and equipment	(252,491)	(7,486)	-	-	(259,977)
Vehicles	(106,150)	(4,116)	-	-	(110,266)
Equipment-Equipment Fund	(395,461)	(8,441)	-	-	(403,902)
Vehicles-Equipment Fund	(309,738)	(9,823)	-	-	(319,561)
Infrastructure	(49,610)	(85,646)	-	-	(135,256)
Subtotal	(2,920,524)	(250,776)	-	-	(3,171,300)
Net Capital Assets Being Depreciated	2,815,959	(95,528)	-	-	2,720,431
Governmental Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 2,946,010</u>	<u>\$ (95,528)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,850,482</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 100,041
Public safety	14,698
Public works	96,074
Recreation and culture	21,699
Internal service fund depreciation is charged to the various functions based on their usage of the assets	<u>18,264</u>
Total Governmental Activities	<u>\$ 250,776</u>

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 47,250	\$ -	\$ -	\$ -	\$ 47,250
Construction in progress	-	-	-	-	-
Subtotal	<u>47,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,250</u>
Capital Assets Being Depreciated					
Water systems	4,774,738	129,585	-	-	4,904,323
Sewage systems	6,579,233	4,200	-	-	6,583,433
Building	82,950	-	-	-	82,950
Machinery and equipment	19,258	-	-	-	19,258
Office furniture and equipment	<u>28,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,693</u>
Subtotal	<u>11,484,872</u>	<u>133,785</u>	<u>-</u>	<u>-</u>	<u>11,618,657</u>
Less Accumulated Depreciation for					
Water systems	(2,557,756)	(127,466)	-	-	(2,685,222)
Sewage systems	(2,985,918)	(172,758)	-	-	(3,158,676)
Building	(58,556)	(2,074)	-	-	(60,630)
Machinery and equipment	(19,210)	(24)	-	-	(19,234)
Office furniture and equipment	<u>(28,645)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(28,669)</u>
Subtotal	<u>(5,650,085)</u>	<u>(302,346)</u>	<u>-</u>	<u>-</u>	<u>(5,952,431)</u>
Net Capital Assets Being Depreciated	<u>5,834,787</u>	<u>(168,561)</u>	<u>-</u>	<u>-</u>	<u>5,666,226</u>
Business Type Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 5,882,037</u>	<u>\$ (168,561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,713,476</u>

Depreciation expense was charged to business type activities as follows:

Water supply	\$ 129,564
Sewage disposal	<u>172,782</u>
Total Business-Type Activities	<u>\$ 302,346</u>

Construction Commitments-At June 30, 2008, the city had no significant construction commitments.

D. Interfund Receivables, Payables and Transfers

At June 30, 2008, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

Transfers In	Transfers Out					Total
	General Fund	Major Street Fund	Non-major Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 10,000	(1) \$ -	\$ 30,000 (1)	40,000
Major Street Fund	109,453 (2)	-	-	-	-	109,453
Local Street Fund	100,000 (2)	47,595 (3)	-	-	-	147,595
Community That Cares Fund	25,000 (2)	-	-	-	-	25,000
1989 LTGO Bonds Debt Fund	82,000 (4)	-	-	-	-	82,000
1998 Transportation Bonds Debt Fund	-	48,452 (4)	-	-	-	48,452
2006 Capital Improvement Bonds	129,536 (4)	-	-	57,936 (4)	-	187,472
	<u>\$ 445,989</u>	<u>\$ 96,047</u>	<u>\$ 10,000</u>	<u>\$ 57,936</u>	<u>\$ 30,000</u>	<u>\$ 639,972</u>

The following describes the nature of significant transfers:

- (1) Transfer to General Fund for general operating purposes
- (2) Transfer from General Fund for annual operating purposes
- (3) 25 percent transfer of gas and weight taxes as allowed by Act 51
- (4) Transfers from General, Major Street and Enterprise Funds for annual debt service requirements

E. Long-Term Debt

Bond and contractual obligation activity for the City can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
2006 General obligation capital improvement, interest rates from 4.375%-4.55%, maturing 2026	\$ 1,715,000	\$ 1,715,000	\$ -	\$ (55,000)	\$ 1,660,000	\$ 60,000
2006 County Revolving Fund Loan, interest rate of 3.0%, maturing 2016	500,000	456,468	-	(44,855)	411,613	46,220
1989 Road construction, interest rates from 6.75%-6.9%, maturing 2009	990,000	175,000	-	(85,000)	90,000	90,000
Michigan transportation bonds						
1998 MTF, interest rates from 4.0%-5.0%, maturing 2014	500,000	280,000	-	(35,000)	245,000	35,000
Valley Ridge Bank, interest rate of 4.75%, due 2007	168,515	3,446	-	(3,446)	-	-
Total Governmental Activities		<u>\$ 2,629,914</u>	<u>\$ -</u>	<u>\$ (223,301)</u>	<u>\$ 2,406,613</u>	<u>\$ 231,220</u>

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities						
Revenue Bonds						
1989 Sanitary Sewer Revenue, interest rates from 6.6% - 6.9%, maturing 2009	\$ 245,000	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000	\$ 20,000
2001 Sewer System Revenue, interest rates from 4.0% - 5.3%, maturing 2021	700,000	575,000	-	(25,000)	550,000	30,000
County Contractual Obligation						
1978 Water Supply, interest rate of 5.0%, maturing 2018	1,175,000	685,000	-	(40,000)	645,000	50,000
Michigan Municipal Bond Authority						
1998 Drinking Water, interest rate of 2.5%, maturing 2014	746,618	490,000	-	(35,000)	455,000	35,000
Total Business-Type Activities		<u>\$ 1,790,000</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 1,670,000</u>	<u>\$ 135,000</u>

Bond and contractual obligation activity for the discretely presented component unit can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority						
General obligation bonds						
1998 DDA, interest rates from 4.1% - 5.0%, maturing 2014	\$ 1,000,000	\$ 565,000	\$ -	\$ (70,000)	\$ 495,000	\$ 70,000
1996 DDA, interest rates from 5.2% - 6.75%, maturing 2011	995,000	350,000	-	(80,000)	270,000	85,000
Total Governmental Activities		<u>\$ 915,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 765,000</u>	<u>\$ 155,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 231,220	\$ 101,391	\$ 135,000	\$ 69,945	\$ 155,000	\$ 40,115
2010	147,626	89,575	125,000	63,843	165,000	31,880
2011	154,075	83,852	125,000	58,825	175,000	22,955
2012	155,567	77,336	130,000	53,638	85,000	13,415
2013	167,105	70,925	135,000	48,165	90,000	9,250
2014-2018	601,020	264,453	775,000	146,720	95,000	4,750
2019-2023	480,000	159,475	245,000	23,060	-	-
2024-2028	470,000	43,503	-	-	-	-
Total	<u>\$ 2,406,613</u>	<u>\$ 890,510</u>	<u>\$ 1,670,000</u>	<u>\$ 464,196</u>	<u>\$ 765,000</u>	<u>\$ 122,365</u>

F. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Sewage Disposal System Fund revenue bond covenants as follows:

Sewage disposal revenue bond covenant amounts \$ 81,790

NOTE 4. OTHER INFORMATION

A. Risk Management

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city has purchased commercial insurance for medical benefit claims. The city participates in the Michigan Municipal League risk pool for workers' compensation claims, general liability, and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Deferred Compensation Plan

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

C. Pension

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 447 N. Canal Rd., Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by the City Council and requires a contribution from the employees of 4 percent of gross wages for the year ended June 30, 2008.

Annual Pension Cost – For the year ended June 30, 2008 the City's annual pension cost of \$44,552 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent to 12.90 percent per year, including an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year's variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 28 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 45,761	100%	None
6/30/07	43,573	100%	None
6/30/08	44,552	100%	None

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UUAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/05	\$ 1,440,750	\$ 1,635,093	\$ 194,343	88%	\$ 704,888	28%
12/31/06	1,580,064	1,762,903	182,839	90%	674,934	27%
12/31/07	1,720,801	1,941,918	221,117	89%	657,445	34%

Required Supplementary Information

City of Coopersville
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 1,649,337	\$ 1,649,337	\$ 1,650,417	\$ 1,080
Licenses and permits	20,000	20,000	13,785	(6,215)
State shared revenues	310,292	310,292	340,728	30,436
Charges for services	183,250	183,250	173,322	(9,928)
Fines and forfeits	10,000	10,000	9,985	(15)
Interest	62,000	62,000	74,707	12,707
Other	41,700	41,700	29,239	(12,461)
Total Revenues	<u>2,276,579</u>	<u>2,276,579</u>	<u>2,292,183</u>	<u>15,604</u>
Expenditures:				
Current:				
General Government:				
City Council	26,707	26,707	23,051	3,656
Manager	116,513	116,513	92,653	23,860
Elections	5,750	5,750	4,657	1,093
Assessor	30,815	30,815	30,110	705
Attorney	18,000	30,500	27,134	3,366
Clerk	63,077	63,077	59,594	3,483
Board of Review	1,177	1,177	1,174	3
Treasurer	85,867	85,867	75,356	10,511
Computer services	32,355	32,355	25,270	7,085
Building and grounds	131,873	131,873	116,421	15,452
Cemetery	11,000	11,000	11,000	-
Total General Government	<u>523,134</u>	<u>535,634</u>	<u>466,420</u>	<u>69,214</u>
Public Safety:				
Police	25,568	25,568	21,895	3,673
Sheriff	510,000	510,000	475,059	34,941
Fire department	119,150	119,150	119,150	-
Emergency unit	74,784	74,784	69,440	5,344
Building inspector	33,311	33,311	15,058	18,253
Emergency services	47,718	47,718	29,107	18,611
Total Public Safety	<u>810,531</u>	<u>810,531</u>	<u>729,709</u>	<u>80,822</u>
Public Works:				
Street lighting	40,556	43,656	43,131	525
Sanitation	105,080	108,830	108,246	584
Storm sewer	18,883	18,883	11,648	7,235
Highway street and bridges	3,000	3,000	-	3,000
Total Public Works	<u>167,519</u>	<u>174,369</u>	<u>163,025</u>	<u>11,344</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development Planning and zoning administration	<u>71,947</u>	<u>71,947</u>	<u>42,272</u>	<u>29,675</u>
Recreation and Culture:				
Parks	94,257	94,257	90,265	3,992
Recreation	131,045	131,045	113,054	17,991
Library	<u>10,000</u>	<u>10,000</u>	<u>688</u>	<u>9,312</u>
Total Recreation and Culture	<u>235,302</u>	<u>235,302</u>	<u>204,007</u>	<u>31,295</u>
Other:				
Insurance	<u>44,250</u>	<u>44,250</u>	<u>28,897</u>	<u>15,353</u>
Total Expenditures	<u>1,852,683</u>	<u>1,872,033</u>	<u>1,634,330</u>	<u>237,703</u>
Excess Of Revenues Over Expenditures	<u>423,896</u>	<u>404,546</u>	<u>657,853</u>	<u>253,307</u>
Other Financing Sources (Uses):				
Transfers in	40,000	40,000	40,000	-
Transfers out	<u>(446,536)</u>	<u>(446,536)</u>	<u>(445,989)</u>	<u>547</u>
Total Other Financing Sources (Uses)	<u>(406,536)</u>	<u>(406,536)</u>	<u>(405,989)</u>	<u>547</u>
Net Change in Fund Balances	17,360	(1,990)	251,864	253,854
Fund Balances - July 1	<u>958,001</u>	<u>837,387</u>	<u>1,082,046</u>	<u>(244,659)</u>
Fund Balances - June 30	<u>\$ 975,361</u>	<u>\$ 835,397</u>	<u>\$ 1,333,910</u>	<u>\$ 9,195</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Federal grants	\$ -	\$ -	\$ 27,526	\$ 27,526
State shared revenues	208,550	208,550	195,264	(13,286)
Interest	500	500	6,275	5,775
Other	1,150	1,150	-	(1,150)
Total Revenues	<u>210,200</u>	<u>210,200</u>	<u>229,065</u>	<u>18,865</u>
Expenditures:				
Current:				
Public Works:				
Construction	-	129,555	129,077	478
Surface maintenance	169,744	169,744	147,480	22,264
Winter maintenance	35,894	47,695	47,574	121
Administration	10,161	10,161	10,161	-
Total Public Works	<u>215,799</u>	<u>357,155</u>	<u>334,292</u>	<u>22,863</u>
Total Expenditures	<u>215,799</u>	<u>357,155</u>	<u>334,292</u>	<u>22,863</u>
Excess Of Revenues Over (Under) Expenditures	<u>(5,599)</u>	<u>(146,955)</u>	<u>(105,227)</u>	<u>41,728</u>
Other Financing Sources (Uses):				
Transfers in	110,000	110,000	109,453	(547)
Transfers out	(99,391)	(104,391)	(96,047)	8,344
Total Other Financing Sources (Uses)	<u>10,609</u>	<u>5,609</u>	<u>13,406</u>	<u>7,797</u>
Net Change in Fund Balances	5,010	(141,346)	(91,821)	49,525
Fund Balances - July 1	<u>23,871</u>	<u>20,396</u>	<u>191,536</u>	<u>(171,140)</u>
Fund Balances - June 30	<u>\$ 28,881</u>	<u>\$ (120,950)</u>	<u>\$ 99,715</u>	<u>\$ (121,615)</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 82,965	\$ 82,965	\$ 85,103	\$ 2,138
Interest	750	750	3,621	2,871
Total Revenues	<u>83,715</u>	<u>83,715</u>	<u>88,724</u>	<u>5,009</u>
Expenditures:				
Current:				
Public Works:				
Construction	-	10,665	10,663	2
Surface maintenance	175,385	175,385	122,895	52,490
Winter maintenance	47,408	51,783	51,766	17
Administration	<u>10,161</u>	<u>10,161</u>	<u>10,161</u>	<u>-</u>
Total Public Works	<u>232,954</u>	<u>247,994</u>	<u>195,485</u>	<u>52,509</u>
Total Expenditures	<u>232,954</u>	<u>247,994</u>	<u>195,485</u>	<u>52,509</u>
Excess Of Revenues Over (Under) Expenditures	(149,239)	(164,279)	(106,761)	57,518
Other Financing Sources (Uses):				
Transfers in	<u>150,938</u>	<u>150,938</u>	<u>147,594</u>	<u>(3,344)</u>
Net Change in Fund Balances	1,699	(13,341)	40,833	54,174
Fund Balances - July 1	<u>90,619</u>	<u>80,619</u>	<u>92,177</u>	<u>(11,558)</u>
Fund Balances - June 30	<u>\$ 92,318</u>	<u>\$ 67,278</u>	<u>\$ 133,010</u>	<u>\$ 42,616</u>

City of Coopersville, Michigan
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Before June 30, the proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by City Council.

The appropriated budget is prepared by fund, function, and activity. Budgetary control over expenditures is exercised by the City Council. Appropriated budgets are amended by a majority vote of the City Council. The legal level of budgetary control is the activity level. The City Council made several supplemental budgetary appropriations throughout the year.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

B. Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the city did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds

Debt Service Funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds

Capital Project Funds are used to account for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Funds

The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

City of Coopersville
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Nonmajor Special Revenue Funds					Debt	
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total	1989 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service
ASSETS							
Cash	\$ 54,067	\$ 37,082	\$ 875	\$ 79,342	\$ 171,366	\$ 7,212	\$ 2,537
Receivables:							
Special assessments	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 54,067	\$ 37,082	\$ 875	\$ 79,342	\$ 171,366	\$ 7,212	\$ 2,537
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 4,161	\$ -	\$ -	\$ 4,161	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	4,161	-	-	4,161	-	-
Fund Balances:							
Reserved:							
Debt service	-	-	-	-	-	7,212	2,537
Perpetual care-nonexpendable	-	-	-	-	-	-	-
Unreserved-reported in:							
Special Revenue Funds	54,067	32,921	875	79,342	167,205	-	-
Capital Projects Funds	-	-	-	-	-	-	-
Total Fund Balances	54,067	32,921	875	79,342	167,205	7,212	2,537
TOTAL LIABILITIES AND FUND BALANCES	\$ 54,067	\$ 37,082	\$ 875	\$ 79,342	\$ 171,366	\$ 7,212	\$ 2,537

Service Funds		Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
2006 Capital Improvement Bonds	Total	Capital Project	Capital Project Future Land	Total	Cemetery Trust	
\$ 35,732	\$ 45,481	\$ 690	\$ 50,736	\$ 51,426	\$ 6,992	\$ 275,265
<u>29,526</u>	<u>29,526</u>	<u>-</u>	<u>-</u>	<u>29,526</u>	<u>-</u>	<u>29,526</u>
<u>\$ 65,258</u>	<u>\$ 75,007</u>	<u>\$ 690</u>	<u>\$ 50,736</u>	<u>\$ 80,952</u>	<u>\$ 6,992</u>	<u>\$ 304,791</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,161
<u>29,526</u>	<u>29,526</u>	<u>-</u>	<u>-</u>	<u>29,526</u>	<u>-</u>	<u>29,526</u>
<u>29,526</u>	<u>29,526</u>	<u>-</u>	<u>-</u>	<u>29,526</u>	<u>-</u>	<u>33,687</u>
35,732	45,481	-	-	-	-	45,481
-	-	-	-	-	6,992	6,992
-	-	-	-	-	-	167,205
<u>-</u>	<u>-</u>	<u>690</u>	<u>50,736</u>	<u>51,426</u>	<u>-</u>	<u>51,426</u>
<u>35,732</u>	<u>45,481</u>	<u>690</u>	<u>50,736</u>	<u>51,426</u>	<u>6,992</u>	<u>271,104</u>
<u>\$ 65,258</u>	<u>\$ 75,007</u>	<u>\$ 690</u>	<u>\$ 50,736</u>	<u>\$ 80,952</u>	<u>\$ 6,992</u>	<u>\$ 304,791</u>

City of Coopersville
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Nonmajor Special Revenue Funds					Debt	
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total	1989 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service
Revenues:							
Local unit contributions	\$ 22,000	\$ 42,000	\$ -	\$ -	\$ 64,000	\$ -	\$ -
Charges for services	20,850	-	-	-	20,850	-	-
Interest and rent	3,322	1,310	36	2,804	7,472	2,446	104
Other	125	26,697	-	-	26,822	-	-
Total Revenues	46,297	70,007	36	2,804	119,144	2,446	104
Expenditures:							
Current:							
General government	55,044	-	-	-	55,044	-	-
Public safety	-	98,477	-	-	98,477	-	-
Debt service:							
Principal retirement	-	-	-	-	-	85,000	35,000
Interest and fiscal charges	-	-	-	-	-	12,300	13,453
Total Expenditures	55,044	98,477	-	-	153,521	97,300	48,453
Excess of Revenues Over (Under) Expenditures	(8,747)	(28,470)	36	2,804	(34,377)	(94,854)	(48,349)
Other Financing Sources (Uses):							
Transfers in	-	25,000	-	-	25,000	82,000	48,453
Transfers out	-	-	-	(10,000)	(10,000)	-	-
Total Other Financing Sources (Uses)	-	25,000	-	(10,000)	15,000	82,000	48,453
Net Change in Fund Balances	(8,747)	(3,470)	36	(7,196)	(19,377)	(12,854)	104
Fund Balances - July 1	62,814	36,391	839	86,538	186,582	20,066	2,433
Fund Balances - June 30	\$ 54,067	\$ 32,921	\$ 875	\$ 79,342	\$ 167,205	\$ 7,212	\$ 2,537

Service Funds		Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
2006 Capital Improvement Bonds	Total	Capital Project	Capital Project - Future Land	Total	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,000
-	-	-	-	-	-	20,850
2,069	4,619	29	1,767	1,796	515	14,402
9,079	9,079	-	-	-	-	35,901
<u>11,148</u>	<u>13,698</u>	<u>29</u>	<u>1,767</u>	<u>1,796</u>	<u>515</u>	<u>135,153</u>
500	500	-	-	-	-	55,544
-	-	-	-	-	-	98,477
99,855	219,855	-	-	-	-	219,855
87,617	113,370	-	-	-	-	113,370
<u>187,972</u>	<u>333,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,246</u>
<u>(176,824)</u>	<u>(320,027)</u>	<u>29</u>	<u>1,767</u>	<u>1,796</u>	<u>515</u>	<u>(352,093)</u>
187,472	317,925	-	-	-	-	342,925
-	-	-	-	-	-	(10,000)
<u>187,472</u>	<u>317,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,925</u>
10,648	(2,102)	29	1,767	1,796	515	(19,168)
25,084	47,583	661	48,969	49,630	6,477	290,272
<u>\$ 35,732</u>	<u>\$ 45,481</u>	<u>\$ 690</u>	<u>\$ 50,736</u>	<u>\$ 51,426</u>	<u>\$ 6,992</u>	<u>\$ 271,104</u>

Supplemental Data

Discretely Presented Component Unit

General Fund

The General Fund is the Downtown Development Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Debt Service Funds

Debt Service Funds of the Downtown Development Authority account for resources accumulated and payment made for principal and interest on long-term debt of the Authority.

Capital Projects Funds

The Capital Projects Fund of the Downtown Development Authority accounts for resources accumulated for the acquisition or construction of specific capital projects or items.

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING BALANCE SHEET
 June 30, 2008

ASSETS	General	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	DDA Construction	Totals
Cash and investments	<u>\$ 130,451</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 4,840</u>	<u>\$ 68,257</u>	<u>\$ 203,858</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 5,555	\$ -	\$ -	\$ -	\$ -	\$ 5,555
Fund Balances:						
Unreserved	<u>124,896</u>	<u>310</u>	<u>-</u>	<u>4,840</u>	<u>68,257</u>	198,303
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 130,451</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 4,840</u>	<u>\$ 68,257</u>	

Amounts reported for the Component Unit in the statement of net assets are different because:

Interest accrued on outstanding bonds payable is not reported in the funds	(6,686)
Long term liabilities are not due and payable in the current period and are not reported in the funds	<u>(765,000)</u>
Net Assets (Deficit) of the Component Unit	<u>\$ (573,383)</u>

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2008

	General	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	DDA Construction	Totals
Revenues:						
Taxes	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ 350,000
Charges for services	11,428	-	-	-	-	11,428
Interest	12,689	13	-	595	2,278	15,575
Other	-	-	-	-	1,500	1,500
Total Revenues	<u>374,117</u>	<u>13</u>	<u>-</u>	<u>595</u>	<u>3,778</u>	<u>378,503</u>
Expenditures:						
Current:						
Community and economic development	169,643	-	-	-	-	169,643
Debt Service:						
Principal retirement	-	-	80,000	70,000	-	150,000
Interest and fiscal charges	-	-	20,940	27,410	-	48,350
Total Expenditures	<u>169,643</u>	<u>-</u>	<u>100,940</u>	<u>97,410</u>	<u>-</u>	<u>367,993</u>
Excess of Revenues Over (Under) Expenditures	<u>204,474</u>	<u>13</u>	<u>(100,940)</u>	<u>(96,815)</u>	<u>3,778</u>	<u>6,732</u>
Other Financing Sources (Uses):						
Transfers in	-	-	100,940	87,410	10,000	198,350
Transfers out	(198,350)	-	-	-	-	(198,350)
Total Other Financing Sources (Uses)	<u>(198,350)</u>	<u>-</u>	<u>100,940</u>	<u>87,410</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balances	6,124	13	-	(9,405)	13,778	10,510
Fund Balances, July 1	<u>118,772</u>	<u>297</u>	<u>-</u>	<u>14,245</u>	<u>54,479</u>	
Fund Balances, June 30	<u>\$ 124,896</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 4,840</u>	<u>\$ 68,257</u>	

Amounts reported for the Component Unit's activities in the statement of activities are different because:

In the statement of activities, interest is accrued on outstanding bonds payable, whereas in governmental funds, an interest expenditure is reported when due

1,304

Repayments of bonds payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

150,000

Change in Net Assets of the Component Unit

\$ 161,814



October 3, 2008

City Council
City of Coopersville, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the remaining aggregate fund information of the City of Coopersville as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Coopersville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiencies to be material weaknesses.

- 1. Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)** – The City of Coopersville lacks adequate controls to prepare year-end full disclosure financial statements, including the related footnotes and government-wide (GASB 34) statements. The City has limited expertise in the preparation of year-end financial statements and relies on the auditors to draft the annual financial statements including related disclosures. Because of this lack of internal expertise and because the auditor cannot be part of the City's control environment, there exists a likelihood that a misstatement that is more than inconsequential to the financial statements will not be prevented or detected by the City's internal control.
- 2. Reconciliation of the Water and Sewer Billings to the General Ledger** – The City does not currently reconcile the Water and Sewer Billing Registers to the general ledger. As a result, it is necessary for the auditor to propose adjustments to properly reflect the reconciled balances.
- 3. Fixed Asset Accounting** - The City lacks controls and procedures to identify property and equipment acquired and constructed during the year that is subject to capitalization in accordance with the City's fixed asset capitalization policy. It is necessary for the auditor to propose adjustments to properly reflect this activity.

This communication is intended solely for the information and use of management, the City Council, and others in the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Kieko, Scholma & Shumaker, PC